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## **Wanguo International Mining Group Limited**

**萬國國際礦業集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3939)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022**

#### **RESULTS HIGHLIGHT:**

- Revenue decreased by approximately 59.8% to approximately RMB330.5 million
- Gross profit increased by approximately 7.6% to approximately RMB159.5 million
- Gross profit margin was approximately 48.2%
- Net profit margin was approximately 26.2%
- Profit and total comprehensive income for the six months ended 30 June 2022 (or referred to as the “**reporting period**”) attributable to owners of the Company increased by approximately 16.5% to approximately RMB95.2 million
- Basic earnings per share was approximately RMB11.4 cents (six months ended 30 June 2021: RMB11.1 cents)
- The Board did not declare an interim dividend (six months ended 30 June 2021: Nil)

*Note: Compared to the six months ended 30 June 2021*

## INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Wanguo International Mining Group Limited (the “**Company**”) is pleased to announce the following unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**” or “**We**”) for the six months ended 30 June 2022 together with comparative figures for the corresponding period in 2021.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2022*

		Six months ended 30 June	
		2022	2021
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	330,490	822,813
Cost of sales		<u>(171,037)</u>	<u>(674,624)</u>
Gross profit		159,453	148,189
Other income		1,550	1,228
Other gains and losses		(917)	(7,391)
Distribution and selling expenses		(2,133)	(2,493)
Administrative expenses		(47,843)	(31,446)
Finance costs	4	<u>(4,964)</u>	<u>(4,181)</u>
Profit before tax		105,146	103,906
Income tax expense	5	<u>(18,420)</u>	<u>(17,319)</u>
Profit for the period	6	<u>86,726</u>	<u>86,587</u>
Other comprehensive income for the period which may be reclassified subsequently to profit or loss:			
– Exchange differences on translation from functional currency to presentation currency		<u>(1,848)</u>	<u>(6,494)</u>
Total comprehensive income for the period		<u><u>84,878</u></u>	<u><u>80,093</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME (CONTINUED)**

*For the six months ended 30 June 2022*

		<b>Six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
	<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit (loss) for the period attributable to:			
Owners of the company		<b>94,551</b>	88,152
Non-controlling interests		<u><b>(7,825)</b></u>	<u>(1,565)</u>
		<b><u>86,726</u></b>	<b><u>86,587</u></b>
 Total comprehensive income (expense) for the period attributable to:			
Owners of the company		<b>95,178</b>	81,658
Non-controlling interests		<u><b>(10,300)</b></u>	<u>(1,565)</u>
		<b><u>84,878</u></b>	<b><u>80,093</u></b>
 Earnings per share			
Basic ( <i>RMB cents</i> )	7	<b><u>11.4</u></b>	<b><u>11.1</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 30 June 2022*

		<b>30.6.2022</b>	31.12.2021
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>643,908</b>	632,384
Right-of-use assets		<b>55,644</b>	56,164
Mining right		<b>271,018</b>	271,974
Exploration and evaluation assets		<b>190,652</b>	189,227
Other intangible asset		<b>312,165</b>	312,165
Intangible assets		<b>3,829</b>	3,935
Deposit for purchase of property, plant and equipment		<b>31,569</b>	31,638
Deferred tax assets		<b>3,910</b>	3,890
Restricted bank balances		<b>2,672</b>	2,670
		<b><u>1,515,367</u></b>	<u>1,504,047</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>78,091</b>	18,649
Trade and other receivables	<i>9</i>	<b>304,940</b>	159,770
Bank balances and cash		<b>125,154</b>	116,294
		<b><u>508,185</u></b>	<u>294,713</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>10</i>	<b>89,070</b>	119,564
Contract liabilities		<b>121,125</b>	25,572
Lease liabilities		<b>308</b>	278
Amounts due to related parties		<b>3,782</b>	5,861
Consideration payable to a former non-controlling shareholder of a subsidiary		<b>57,936</b>	57,936
Dividend payable		<b>83,628</b>	–
Tax payable		<b>20,568</b>	32,270
Bank borrowings		<b>196,371</b>	89,479
		<b><u>572,788</u></b>	<u>330,960</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***At 30 June 2022*

	<b>30.6.2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	31.12.2021 <b>RMB'000</b> <b>(Audited)</b>
<b>NET CURRENT LIABILITIES</b>	<u><b>(64,603)</b></u>	<u><b>(36,247)</b></u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u><b>1,450,764</b></u>	<u><b>1,467,800</b></u>
<b>NON-CURRENT LIABILITIES</b>		
Bank borrowings	–	38,500
Lease liabilities	<b>47</b>	196
Deferred income	<b>6,911</b>	7,492
Deferred tax liabilities	<b>82,506</b>	86,911
Provisions for restoration costs	<u><b>7,718</b></u>	<u><b>7,290</b></u>
	<u><b>97,182</b></u>	<u><b>140,389</b></u>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>67,881</b>	67,881
Reserves	<u><b>983,616</b></u>	<u><b>972,066</b></u>
Equity attributable to owners of the Company	<b>1,051,497</b>	1,039,947
Non-controlling interests	<u><b>302,085</b></u>	<u><b>287,464</b></u>
<b>TOTAL EQUITY</b>	<u><b>1,353,582</b></u>	<u><b>1,327,411</b></u>
	<u><b>1,450,764</b></u>	<u><b>1,467,800</b></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements have been prepared on a going concern basis. As at 30 June 2022, the Group's current liabilities exceeded its current assets by approximately RMB64,603,000. In preparing the condensed consolidated financial statements, the directors of the Company have reviewed the Group's financial and liquidity position, and taken into account the following relevant matters:

- (i) Mr. Gao Mingqing, substantial shareholder and executive director of the Company, had committed to further support the Group financially to enable it to meet its financial obligations as they fall due for the foreseeable future;
- (ii) Bank borrowings of approximately RMB196,371,000 will be due within one year or contain a repayment on demand clause and the directors are confident that the Group is able to extend approximately RMB69,800,000 of the bank borrowings in full upon their maturity, and the banks will not demand for early repayment with regard to approximately RMB2,571,000 of bank borrowing containing a repayment on demand clause, based on the past history of renewals and good relationship of the Group with the banks; and
- (iii) Amounts due to related parties of approximately RMB3,782,000 as at 30 June 2022 are repayable on demand. Since the related parties are substantial shareholders of the Company or controlled by the substantial shareholders of the Company, the directors of the Company are confident that the related parties will not demand for repayment until the Group has improved its liquidity position.

The directors of the Company believe that the Group will have sufficient working capital to satisfy its existing liabilities as and when they fall due and the Group's future expansion for foreseeable future and, accordingly, have prepared the condensed consolidated financial statements on a going concern basis.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

## Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Costs of Fulfilling a Contract
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and on the disclosures set out in these condensed consolidated financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”), being the executive directors of the Company, in order to allocate resources to segments and to assess their performance.

The Group operates in and all revenue is generated from the PRC. The Group's principal non-current assets are also located in the PRC.

The Group determines that it has only one operating segment and revenue represents revenue arising on sales of processed concentrates of various metals. All of the revenue of the Group is recognised at a point in time. An analysis of the Group's revenue from its major products for the reporting period is as follows:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sales of processed concentrates		
– Copper concentrates	130,596	96,756
– Iron concentrates	41,010	51,975
– Zinc concentrates	39,685	67,269
– Sulfur concentrates	43,152	15,326
– Gold in copper and zinc concentrates	12,107	10,967
– Gold in lead concentrates	11,127	16,330
– Silver in lead concentrates	5,080	9,195
– Silver in copper and zinc concentrates	12,221	7,036
– Lead concentrates	2,723	5,314
– Sulfur and iron concentrates	5,544	3,015
– Copper in lead concentrates	847	3,430
Sales of Electrolytic copper	26,398	534,223
Sales of Electrolytic lead	–	1,977
	<b>330,490</b>	<b>822,813</b>
By revenue source		
– Own mined products	293,967	267,183
– Sourced outside	36,523	555,630
	<b>330,490</b>	<b>822,813</b>

#### 4. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	4,176	3,196
Interest on contract liabilities	770	–
Imputed interest expenses on lease liabilities	18	7
Interest on discounted bills financing	–	978
	<u>4,964</u>	<u>4,181</u>

#### 5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax charge:		
PRC Enterprise Income Tax (“EIT”)		
– Current period	18,440	17,336
Withholding tax	4,405	–
	<u>22,845</u>	<u>17,336</u>
Deferred tax credit		
– Current period	(4,425)	(17)
	<u>18,420</u>	<u>17,319</u>

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit subject to Hong Kong Profits Tax during both periods.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of EIT Law, the tax rate of the PRC subsidiary was 25% during both periods.

Jiangxi Province Yifeng Wanguo Mining Company Ltd (“Yifeng Wanguo”), a subsidiary of the Company, is approved as an enterprise that satisfied the conditions as high and new technology enterprises and obtained the Certificate of High and New Technology Enterprises enjoying the preferential enterprise income tax rate of 15% for a consecutive three calendar years from 2018 to 2020. In November 2021, the Certificate has been extended for further 3 years and Yifeng Wanguo is entitled to the preferential rate for 2021, 2022 and 2023.

In addition, pursuant to the relevant rules and regulations, certain qualified research and development costs incurred by the Group during the period and endorsed by a local tax authority in the PRC is eligible for further deduction for PRC EIT up to 75% of the relevant costs incurred.

The tax charge for the reporting period can be reconciled to the profit before tax per the condensed consolidated statement of profit or loss and other comprehensive income as follows:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Profit before tax	<u>105,146</u>	103,906
Tax at the EIT rate of 25%	26,287	25,976
Tax effect of expenses not deductible for tax purpose	6,479	4,358
Income tax at concessionary rate	(13,094)	(12,156)
Tax effect of additional tax benefit on research and development expenses	(1,249)	(859)
Overprovision in respect of prior years	<u>(3)</u>	–
Tax charge for the period	<u><b>18,420</b></u>	<u>17,319</u>

## 6. PROFIT FOR THE PERIOD

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Profit for the period has been arrived at after charging the following items:		
Directors' emoluments	2,252	2,005
Other staff costs	30,463	24,293
Retirement benefit scheme contributions, excluding those of directors	<u>1,223</u>	<u>1,064</u>
Total staff costs	<u><b>33,938</b></u>	<u>27,362</u>
Depreciation of property, plant and equipment	20,571	19,092
Depreciation of right-of-use assets	832	839
Amortisation of mining right	533	533
Amortisation of intangible assets	<u>106</u>	<u>106</u>
Total depreciation and amortisation	<u><b>22,042</b></u>	<u>20,570</u>
Research and development costs	11,099	7,703
Cost of inventories recognised as an expense	<u><b>171,037</b></u>	<u>674,624</u>

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
<b>Earnings figures are calculated as follows:</b>		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share ( <i>in RMB'000</i> )	<u>94,551</u>	<u>88,152</u>
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share ( <i>in thousand</i> )	<u>828,000</u>	<u>792,199</u>

No diluted earnings per share are presented as there were no potential dilutive ordinary shares in issue during both periods.

## 8. DIVIDENDS

During the period, the Company recognised the following dividends as distribution:

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Final dividend for the year ended 31 December 2021: RMB10.10 cents per share (2021: RMB2.98 cents per share for the year ended 31 December 2020)	<u>83,628</u>	<u>24,700</u>

The board of directors of the Company does not recommend an interim dividend for both periods.

## 9. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	<b>30.6.2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	31.12.2021 <b>RMB'000</b> <b>(Audited)</b>
Trade receivables from contracts with customers		<b>9,985</b>	2,057
Bills receivables		<b>696</b>	2,704
Trade and bills receivables	<i>(a)</i>	<b>10,681</b>	4,761
Amount due from a related company	<i>(b)</i>	<b>3</b>	3
Amount due from a non-controlling shareholder	<i>(c)</i>	<b>23,073</b>	–
Prepayments and other receivables			
– prepayments to major subcontractors	<i>(d)</i>	<b>168,206</b>	77,588
– prepayments to other suppliers	<i>(e)</i>	<b>57,382</b>	69,189
– Other receivables		<b>45,595</b>	8,229
		<b>294,259</b>	155,009
Total trade and other receivables		<b>304,940</b>	159,770

### (a) Trade and bills receivables

No trade and bills receivables are past due at the end of the reporting period. The Group does not hold any collateral over these balances.

The ECL for trade receivables as at 30 June 2022 and 31 December 2021 have been assessed collectively based on the trade debtors' aging, grouped by debtor balances that are not yet past due and different aging brackets of numbers of days past due (if any). Based on the assessment of the management of the Group, allowance for credit losses from the trade receivables as at 30 June 2022 and 31 December 2021 is insignificant.

As at 30 June 2022 and 31 December 2021, the above bills received are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

### (b) Amount due from a related company

The balance is due from a company wholly owned and controlled by Mr. Gao Mingqing, the Chief Executive of the Company. The balance is interest free, unsecured and repayable on demand.

### (c) Amount due from a non-controlling shareholder

The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

### (d) Prepayments to major subcontractors

Included in the balance is prepayment of subcontracting fee to mining subcontractors by the subsidiaries Gold Ridge Mining Limited (“GRML”) and Yifeng Wanguo for mining of ores, which amounted to approximately RMB29,547,000 (as at 31 December 2021: RMB30,294,000) and RMB138,659,000 (as at 31 December 2021: RMB47,294,000) respectively as at 30 June 2022.

(e) **Prepayments to other suppliers**

Included in the balance is prepayment to suppliers of metal concentrates for trading which amounted to approximately RMB31,415,000 (as at 31 December 2021: RMB43,504,000) and prepayment to suppliers of raw materials which amounted to approximately RMB17,729,000 (as at 31 December 2021: RMB15,093,000) as at 30 June 2022.

For long-term customers with good credit quality and payment history, the Group allows credit periods of no longer than 60 days for sales of certain products. For others, the Group generally requests for deposits in advance from customers.

The following is an aging analysis of trade and bills receivables, presented based on the invoice dates.

	<b>30.6.2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	31.12.2021 <b>RMB'000</b> <b>(Audited)</b>
Within 30 days	<b>10,163</b>	4,611
Over 90 days	<b>518</b>	150
	<b>10,681</b>	4,761

**10. TRADE AND OTHER PAYABLES**

	<i>Note</i>	<b>30.6.2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	31.12.2021 <b>RMB'000</b> <b>(Audited)</b>
Trade payables	<i>(i)</i>	<b>15,312</b>	13,975
Bills payables	<i>(ii)</i>	–	30,000
Trade and bills payables		<b>15,312</b>	43,975
Value-added tax, resource tax and other tax payables		<b>17,322</b>	36,126
Payables for construction in progress and property, plant and equipment		<b>16,947</b>	13,943
Accrued expenses and other payables			
– Accrued expenses		<b>3,134</b>	2,267
– Accrued staff cost		<b>6,150</b>	6,680
– Other payables		<b>30,205</b>	16,573
		<b>73,758</b>	75,589
Total trade and other payables		<b>89,070</b>	119,564

The following is analysis of trade payables by age, presented based on the delivery dates.

	<b>30.6.2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	31.12.2021 <b>RMB'000</b> <b>(Audited)</b>
Within 30 days	8,843	9,906
31-60 days	2,453	1,939
61-90 days	2,161	693
91-180 days	519	665
Over 180 days	<u>1,336</u>	<u>772</u>
	<b><u>15,312</u></b>	<b><u>13,975</u></b>

The following is an aged analysis of bills payables based on the date of issue of bills:

	<b>30.6.2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	31.12.2021 <b>RMB'000</b> <b>(Audited)</b>
Over 180 days	<u>–</u>	<u>30,000</u>
	<b><u>–</u></b>	<b><u>30,000</u></b>

*Notes:*

- (i) The average credit period on purchase of goods is 30 days upon delivery. No interest is charged on overdue trade payable.
- (ii) The bills payable were pledged by a restricted deposit made by Yifeng Wanguo, which have to be settled within one year from the date of issue.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Our Group is principally engaged in the business of mining, ore processing and sale of concentrates products in the PRC.

Currently, we, through our wholly-owned subsidiaries, own the entire equity interest in Jiangxi Province Yifeng Wanguo Mining Company Limited (“**Yifeng Wanguo**”) which in turn owns the Xinzhuang copper-lead-zinc mine, an operating mine located in Jiangxi Province, the PRC (“**Xinzhuang Mine**”) in which we conduct underground mining. The Xinzhuang Mine has a substantial volume of non-ferrous polymetallic mineral resources. Products of our Group primarily include copper concentrates, iron concentrates, zinc concentrates, sulfur concentrates, lead concentrates as well as by-products of gold and silver.

The Group has, on 13 July 2017, completed acquisition of 51% attributable interest of Xizang Changdu County Dadi Mining Company Limited (“**Xizang Changdu**”), which owns the lead-silver mine in Walege of Changdu Country, the PRC (“**Walege Mine**”) in which we may further exploit for open-pit and underground mining. The Walege Mine has a significant volume of mineral resources of lead and silver.

In addition, the Group has on 30 April 2020, completed acquisition of 77.78% interest of AXF Gold Ridge Pty Limited, which owns 90% interest of a gold ridge mine located in the Solomon Islands (“**Gold Ridge Mine**”) in which we may further exploit for open-pit and underground mining. The Gold Ridge Mine has a substantial volume of mineral resources of gold.

### Operating performance

The following table sets forth the volume of respective products sold at the Xinzhuang Mine during the six months ended 30 June 2022 compared to the corresponding period in 2021.

	Six months ended 30 June		Changes ( <i>approximate %</i> )
	2022 Volume ( <i>tonnes</i> )	2021 Volume ( <i>tonnes</i> )	
Copper in copper concentrates	2,275	1,809	25.8
Zinc in zinc concentrates	1,765	3,357	(47.4)
Iron concentrates	48,615	50,922	(4.5)
Sulfur concentrates	117,182	90,636	29.3
Lead in lead concentrates	323	566	(42.9)
Sulfur and iron concentrates	16,360	8,518	92.1
Gold in concentrates ( <i>kg</i> )	79	99	(20.2)
Silver in concentrates ( <i>kg</i> )	5,497	4,192	31.1
Copper in concentrates ( <i>kg</i> )	69	171	(59.6)

The following table sets forth the volume of ores mined and processed at our Xinzhuang Mine during the six months ended 30 June 2022 and 2021 respectively.

	<b>Six months ended 30 June</b>		
	<b>2022</b>	2021	
	<b>Volume</b>	Volume	<b>Changes</b>
	<b>(tonnes)</b>	(tonnes)	<i>(approximate %)</i>
Volume of ores mined	<u><b>506,320</b></u>	<u>490,401</u>	<u>3.2</u>
Volume of ores processed	<u><b>495,602</b></u>	<u>494,242</u>	<u>0.3</u>

During the six months ended 30 June 2022, the lead-zinc processing plant was under reconstruction according to the expansion plan of 900,000 tpa, which resulted in drop in the sales volume of zinc in zinc concentrates and lead in lead concentrates. In turn, Xinzhuang Mine focused on the production of copper concentrates to compensate the low production volume from the lead-zinc processing plant.

## **EXPANSION IN EXISTING MINES**

### **Xinzhuang Mine**

We had completed our expansion plan as disclosed in the prospectus of the Company dated 28 June 2012 (the “**Prospectus**”) in Xinzhuang Mine, reaching 600,000 tpa in both mining capacity and processing capacity.

In February 2022, the Group received the approval in relation to the 900,000 tpa expansion plan of Xinzhuang Mine from the Development and Reform Commission of Jiangxi Province (江西省發展改革委員會). In March 2022, the Emergency Management Department of Jiangxi Province (江西省應急管理廳) organised and approved a review of the “safety facility design” of our expansion design. Xinzhuang Mine is now under reconstruction and expansion plan of 900,000 tpa, it is expected to complete the underground engineering projects by end of this year.

### **Walege Mine**

During the first half of 2022, the Group applied for delineation of the mining area permission from the Department of Natural Resources of the Tibet Autonomous Region, was in progress of the preparation of Geoenvironmental Protection and Land Reclamation Programme (地質環境保護與土地複墾方案) and Social Stability Risk Assessment Report (社會穩定性風險評估報告) of Walege Mine.

### **Gold Ridge Mine**

Recommissioning activities were back on track in March 2022 as the wave of COVID subsided. Heap leach operation progressed well. Cyanidation process continued at the second and third heaps following the completion of ore piling. Test run of various parts of flotation plant, including gensets and power control system, was executed in the first half of 2022. The trial production is anticipated in the second half of this year.

## FINANCIAL REVIEW

	Six months ended 30 June					
	Concentrates products (own mined) <i>RMB'000</i> (unaudited)	Trading of electrolytic copper and lead and other concentrate (sourced outside) <i>RMB'000</i> (unaudited)	2022 Total <i>RMB'000</i> (unaudited)	Concentrates products (own mined) <i>RMB'000</i> (unaudited)	Trading of electrolytic copper and lead and other concentrate (sourced outside) <i>RMB'000</i> (unaudited)	2021 Total <i>RMB'000</i> (unaudited)
Revenue	293,967	36,523	330,490	267,183	555,630	822,813
Cost of sales	(134,537)	(36,500)	(171,037)	(119,401)	(555,223)	(674,624)
Gross profit	159,430	23	159,453	147,782	407	148,189
Gross profit margin	54.2%	0.1%	48.2%	55.3%	0.1%	18.0%

### Revenue, cost of sales, gross profit and gross profit margin

The Group's overall revenue reported a decrease by approximately 59.8% from approximately RMB822.8 million for the six months ended 30 June 2021 to approximately RMB330.5 million for the six months ended 30 June 2022. Our cost of sales decreased by 74.7% from approximately RMB674.6 million for the six months ended 30 June 2021 to approximately RMB171.0 million for the six months ended 30 June 2022.

The overall gross profit of the Group increased by approximately 7.6% from approximately RMB148.2 million for the six months ended 30 June 2021 to approximately RMB159.5 million for the six months ended 30 June 2022. The overall gross profit margin increased from approximately 18.0% for the six months ended 30 June 2021 to approximately 48.2% for the six months ended 30 June 2022. Such increase was mainly attributable to the termination of trading of electrolytic copper and lead, which had a low gross profit margin.

**(i) Concentrated products (own mined)**

Revenue from sales of concentrates products increased by approximately 10.0% from approximately RMB267.2 million for the six months ended 30 June 2021 to approximately RMB294.0 million for the six months ended 30 June 2022.

For the six months ended 30 June 2022, we sold 2,275 tonnes of copper in copper concentrates, 1,765 tonnes of zinc in zinc concentrates and 48,615 tonnes of iron concentrates, compared to 1,809 tonnes, 3,357 tonnes and 50,922 tonnes respectively for the six months ended 30 June 2021, representing an increase of approximately 25.8% for copper in copper concentrates which was principally attributable to the increase in production efficiency with the use of upgraded machines and technology improvements in both mining and processing processes, and decreases of approximately 47.4% and 4.5% for zinc in zinc concentrated and iron concentrates respectively which were principally due to the suspension of lead-zinc processing plant that was under reconstruction in relation to the 900,000 tpa expansion plan.

The average prices of copper in copper concentrates, zinc in zinc concentrates and iron concentrates for the six months ended 30 June 2022 were RMB57,405, RMB16,748 and RMB844 per tonne respectively, compared to RMB53,486, RMB14,414 and RMB1,021 per tonne respectively for the six months ended 30 June 2021, representing increases of approximately 7.3% and 16.2% and a decrease of 17.3% respectively, resulting from the increase in demand of copper in copper concentrates and zinc in zinc concentrates under the Russian-Ukrainian conflict, and decrease in demand of iron concentrates under slowdown of property market.

The cost of sales of concentrates products increased by approximately 12.6% from approximately RMB119.4 million for the six months ended 30 June 2021 to approximately RMB134.5 million for the six months ended 30 June 2022, which was mainly driven by the corresponding increase in sales revenue.

The gross profit of concentrates products for the six months ended 30 June 2022 was approximately RMB159.4 million, which represented an increase of approximately 7.8% compared to approximately RMB147.8 million for the six months ended 30 June 2021. The gross profit margin decreased from approximately 55.3% for the six months ended 30 June 2021 to approximately 54.2% for the six months ended 30 June 2022. Such decrease was mainly attributable to the decline in the selling price of certain concentrates.

**(ii) *Trading of electrolytic copper and lead and other concentrates (sourced outside)***

Revenue from trading of electrolytic copper, electrolytic lead and other concentrates decreased by approximately 93.4% from approximately RMB555.6 million for the six months ended 30 June 2021 to approximately RMB36.5 million during the six months ended 30 June 2022, resulting from the termination of trading of electrolytic copper and lead with low profit margin.

The corresponding cost of sales of electrolytic copper, electrolytic lead and other concentrates decreased by approximately 93.4% from approximately RMB555.2 million during the six months ended 30 June 2021 to approximately RMB36.5 million during the six months ended 30 June 2022, such decrease was in line with the sales revenue.

The gross profit of trading of electrolytic copper, electrolytic lead and other concentrates decreased by approximately 94.3% from approximately RMB407,000 during the six months ended 30 June 2021 to approximately RMB23,000 during the six months ended 30 June 2022. The gross profit margins were comparable in the periods.

**Other income**

Our other income comprised mainly bank interest income of approximately RMB0.2 million, incentives received from a local governmental authority of approximately RMB0.7 million and government grant and subsidy to Yifeng Wanguo in relation to the mining technology improvement of approximately RMB0.6 million for the six months ended 30 June 2022. Other income increased by approximately RMB0.3 million compared with the corresponding period in 2021, which was attributable to the increase in incentives received from a local governmental authority.

**Other gains and losses**

Our other gains and losses decreased by approximately RMB6.5 million from losses of approximately RMB7.4 million to losses of approximately RMB0.9 million, which comprised mainly unrealised exchange loss of approximately RMB0.9 million for the six months ended 30 June 2022 as a result of the translation of Australian dollars and Hong Kong dollars into Renminbi, whereas for the six months ended 30 June 2021, unrealised exchange loss of approximately RMB7.4 million was incurred as a result of the translation of Australian dollars and Hong Kong dollars into Renminbi.

**Distribution and selling expenses**

Our distribution and selling expenses decreased by approximately 16.0% from approximately RMB2.5 million for the six months ended 30 June 2021 to approximately RMB2.1 million for the six months ended 30 June 2022. The decrease was mainly attributable to the decrease in the railway and transportation fees as result of the decreased sales volume of zinc in zinc concentrates and lead in lead concentrates.

## **Administrative expenses**

Our administrative expenses increased by approximately 52.2% from approximately RMB31.4 million for the six months ended 30 June 2021 to approximately RMB47.8 million for the six months ended 30 June 2022. The increase was principally attributable to the increase in staff costs and diesel oil fees for the resumption activities in Gold Ridge Mine and increase in research and development expenses incurred by Yifeng Wanguo with respect to certain research project on improvement of metal extraction and mining techniques.

## **Finance costs**

Our finance costs increased by approximately 19.0% from approximately RMB4.2 million for the six months ended 30 June 2021 to approximately RMB5.0 million for the six months ended 30 June 2022, primarily due to the increase in interest expenses derived from bank borrowings which were newly drawn down during the 6 months ended 30 June 2022.

## **Income tax expense**

Our income tax expense was approximately RMB18.4 million for the six months ended 30 June 2022, consisting of PRC corporate income tax payable of approximately RMB18.4 million, withholding tax payable of approximately RMB4.4 million and deferred tax credit of approximately RMB4.4 million. Our income tax expense was approximately RMB17.3 million for the six months ended 30 June 2021, which was entirely PRC corporate income tax payable.

The increase in our income tax expense for the six months ended 30 June 2022 was primarily due to the increase in the PRC corporate income tax expense as a result of the increase in operating profit.

## **Profit for the period**

As a result of the foregoing, our profit after taxation increased by approximately 0.1% or approximately RMB0.1 million, from approximately RMB86.6 million for the six months ended 30 June 2021 to approximately RMB86.7 million for the six months ended 30 June 2022. Our net profit margin increased from approximately 10.5% for the six months ended 30 June 2021 to approximately 26.2% for the six months ended 30 June 2022 which was mainly attributable to the gradual termination of trading of electrolytic copper and lead with low profit margin and rise in revenue and profit generated from sales of own mined concentrated products.

## **Profit attributable to owners of our Company**

Profit attributable to owners of our Company increased by 7.3% or approximately RMB6.4 million, from approximately RMB88.2 million for the six months ended 30 June 2021 to approximately RMB94.6 million for the six months ended 30 June 2022.

## **Liquidity and financial resources**

During the six months ended 30 June 2022, the Group's net cash used in operating activities was approximately RMB2.4 million (net cash from operating activities for the six months ended 30 June 2021: RMB78.1 million) and the Group's bank balances and cash was approximately RMB125.2 million as at 30 June 2022 (as at 31 December 2021: RMB116.3 million). Such decrease in bank balances and cash was mainly attributable to the increase in various expenditures for Gold Ridge Mine and prepayment to major subcontractors for the 900,000 tpa expansion plan and resumption activities in Gold Ridge Mine, and the fact that there was net proceeds raised from issue of shares for the six months ended 30 June 2021 while there was no such proceeds during the six months ended 30 June 2022. The decrease was partially offset by the increase in new bank borrowing raised and decrease in the purchase of property, plant and equipment.

Included in bank balances and cash, approximately RMB20.3 million (as at 31 December 2021: RMB1.9 million) were denominated in Hong Kong dollars, Australian dollars, Solomon Islands dollars and US dollars.

### **Bank borrowings**

As at 30 June 2022, the Group had secured bank borrowings of approximately RMB156.6 million and unsecured bank borrowings of approximately RMB39.8 million in aggregate with maturity from one year to six years and effective interest rate of approximately 5.20%.

### **Gearing ratio**

The Group had a gearing ratio of approximately 12.6% (representing total bank borrowings and payables to former non-controlling shareholder of a subsidiary divided by total assets) as at 30 June 2022. The gearing ratio was approximately 10.3% as at 31 December 2021. The increase in gearing ratio was mainly attributable to the increase in bank borrowings of approximately RMB68.4 million.

### **Capital expenditure**

Capital expenditure mainly included purchase of mining equipment, construction of mining structures at the Gold Ridge Mine as well as payment for exploration and evaluation assets. For the six months ended 30 June 2022, capital expenditure of approximately RMB51.6 million has been incurred (for the six months ended 30 June 2021: RMB141.8 million).

### **Contractual obligations and capital commitment**

As at 30 June 2022, the Group's capital commitment amounted to approximately RMB30.9 million, representing a decrease of approximately RMB20.2 million as compared to approximately RMB51.1 million as at 31 December 2021, which was primarily due to the completion of certain projects in the lead-zinc processing plant of Xinzhuang Mine.

## **Contingent liabilities**

As at 30 June 2022, the Group did not have any material contingent liabilities or guarantees.

## **Material acquisition and disposal of subsidiaries, associates and joint ventures**

Save as disclosed in this announcement, the Group had no material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2022.

## **Significant investments and future plan for material investments or capital assets**

Save as disclosed in this announcement, the Group had no significant investment nor were there any plan for material investments or additions of capital assets authorised by the Board as at the date of this announcement.

## **Charge on group assets**

As at 30 June 2022, the Group's mining right, right-of-use assets and buildings with carrying value of approximately RMB72.5 million (as at 31 December 2021: RMB74.6 million of mining right, right-of-use assets and buildings) were pledged to secure the Group's bank borrowings and facilities.

## **Exposure to fluctuations in exchange rates**

The Group's businesses are located primarily in the PRC and most of the transactions are conducted in Renminbi. Except for certain Group's bank balances and cash, other receivables and other payables denominated in Hong Kong dollars, Australian dollars, Solomon Islands dollars and US dollars, the majority of the Group's assets and liabilities are denominated in Renminbi.

As Renminbi fluctuated against Hong Kong dollars and Australian dollars in a limited extent during the reporting period, the Group had no material adverse exposure to foreign exchange fluctuations during the six months ended 30 June 2022. We have not used any foreign currency hedge arrangement or other derivatives to hedge against exchange rates risk.

## **Interest rate risk**

Our bank borrowings are denominated in Renminbi and Hong Kong dollars borrowed from domestic commercial banks at interest rates that are determined by reference to the benchmark interest rates set by the People's Bank of China ("PBoC") and Hong Kong Interbank Offered Rate ("HIBOR") respectively. Interest rates on our bank loans are subject to adjustments by our lenders in accordance with changes in the PBoC benchmark rates and HIBOR. We are exposed to interest rate risk resulting from changes in interest rates on our short-term and long-term bank borrowings. Increases in benchmark interest rates will increase the interest rates on our bank loans. Increases in interest rates will increase our expense on outstanding borrowings and the cost of new borrowings, and therefore could have a material adverse effect on our financial results. We have not used any interest rate swaps or other derivatives to hedge against interest rate risk.

## INTERIM DIVIDEND

The Board did not declare an interim dividend for both periods.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Share Option Scheme**”) on 12 June 2012.

During the six months ended 30 June 2022, no share option was granted, exercised, expired or lapsed and there was no outstanding share option under the Share Option Scheme. The Share Option Scheme has expired on 10 July 2022.

## HUMAN RESOURCES

As at 30 June 2022, the Group employed approximately 737 employees. Remuneration is determined and reviewed based on fair principles with reference to market conditions and individual performances.

The Group also provides other benefits to its employees include social insurance together with housing provident funds for our PRC employees, contributions to statutory provident funds for our Hong Kong employees, superannuation for our Australia employees and national provident funds for our Solomon Islands employees.

## EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

### Xinzhuang Mine

#### *Mineral exploration*

During the six months ended 30 June 2022, the exploration activities in the Xinzhuang Mine was within 4-29 exploration line. We have completed underground geological drilling of 12,123 m, with drill size of 60-108 mm for the six months ended 30 June 2022. For the six months ended 30 June 2022, we have also finished tunnel drilling of 468 m and completed adit mapping of 1,208 m. For the six months ended 30 June 2022, approximately RMB1.8 million was incurred for the mineral exploration.

#### *Development*

During the six months ended 30 June 2022, the Group incurred development expenditure of approximately RMB25.5 million.

Detailed breakdown of development expenditure is as follows:

	<i>RMB’ (million)</i>
Leasehold lands	0.3
Mining structures	13.8
Machinery and electronic equipment for processing plants	11.4
	<hr/>
	25.5
	<hr/> <hr/>

## ***Mining activities***

During the six months ended 30 June 2022, we processed a total of 495,602 tonnes of ore in the Xinzhuang Mine. The following table shows the volume of our concentrates products sold during the six months ended 30 June 2022.

<b>Type of concentrates sold</b>	<b>Volume</b>
Copper in copper concentrates	2,275 tonnes
Iron concentrates	48,615 tonnes
Zinc in zinc concentrates	1,765 tonnes
Sulfur concentrates	117,182 tonnes
Lead in lead concentrates	323 tonnes
Sulfur and iron concentrates	16,360 tonnes
Gold in copper concentrates	34 kg
Silver in copper concentrates	3,888 kg
Gold in zinc concentrates	12 kg
Silver in zinc concentrates	234 kg
Gold in lead concentrates	33 kg
Sliver in lead concentrates	1,375 kg
Copper in lead concentrates	69 kg

During the six months ended 30 June 2022, the Group incurred expenditures for mining and processing activities of approximately RMB76.9 million (30 June 2021: approximately RMB62.8 million) and approximately RMB41.2 million (30 June 2021: approximately RMB44.3 million) respectively. The unit expenditures for mining and processing activities were approximately RMB151.9/t (30 June 2021: approximately RMB128.0/t) and approximately RMB83.0/t (30 June 2021: approximately RMB89.5/t) respectively. The increase in unit expenditure for mining activities was mainly attributable to increase in safety production fees such as monitoring explosives warehouse and pandemic prevention and control.

## **Walege Mine**

We own 51% attributable interest of Xizang Changdu which in turn owns the Walege Mine in which we may further exploit for open-pit and underground mining. The Walege Mine has a significant volume of mineral resources of lead and silver. The Group is in the progress of converting its exploration license to mining license.

## ***Mineral exploration***

No exploration was conducted during the six months ended 30 June 2022. During the six months ended 30 June 2022, the main activities were license maintenance as well as application or conversion of exploration license to mining license.

## ***Development***

During the six months ended 30 June 2022, Walege Mine incurred development expenditure of approximately RMB1.0 million mainly in respect of professional parties for the preparation of Geoenvironmental Protection and Land Reclamation Programme (地質環境保護與土地複墾方案) and Social Stability Risk Assessment Report (社會穩定性風險評估報告) of Walege Mine and exploration license maintenance related costs.

## ***Mining activities***

Since the Walege Mine is still in development stage, no mining activities has incurred for the six months ended 30 June 2022.

## **Gold Ridge Mine**

### ***Mineral exploration***

The drilling project within the Charivunga deposit continued to progress with an initial project of 11 designed diamond drill holes (“DDH”) and expanded to 31 drill holes after obtaining promising results from geological analysis and for the purpose of future mining design.

As of 30 June 2022, 13 DDHs were completed (including 9 holes drilled in the first half of 2022) with drilling hole diameter of 75.7mm-122.6mm, totaling 5,966 meters drilled. Final resource update model and reserve will be published once we complete the designed DDHs.

During the six months ended 30 June 2022, expenditure of mineral exploration was approximately RMB3.7 million.

## ***Development***

During the six months ended 30 June 2022, Gold Ridge Mine incurred mainly development expenditure of approximately RMB25.2 million.

Detailed breakdown of development expenditure is as follows:

	<i>RMB'</i> <i>(million)</i>
Mining structures	24.4
Machinery and electronic equipment for processing plants	<u>0.8</u>
	<u><u>25.2</u></u>

## ***Mining activities***

Recommissioning activities progressed well and are near completion as COVID-19 related travel restrictions and shipping bottleneck started to ease globally in the first half of 2022. Trial production for flotation processing of sulphide ores of the Gold Ridge Mine is expected to commence in the second half of this year. Heap leach processing of oxide ores continued, with an approximately 4,932 ounces of gold recovered in the form of gold in carbon by 30 June 2022.

## **PROSPECT**

We intend to continue to grow our business into a leading non-ferrous mining company in the PRC and South Pacific region through the following major strategies.

### **Growing production at our mine and outsourcing our mining works**

The scale of our production operation in the Xinzhuang Mine has increased to our targeted mining capacity and processing capacity of 600,000 tpa by end of 2014. We are in the progress of upgrading the mining capacity to 900,000 tpa. To minimise costs, we will continue to outsource our underground mining works to third-party contractors.

### **Horizontal expansion through future acquisitions of new mines**

We intend to further expand our mineral resources and ore reserves through the acquisitions of new mines. We will consider and balance assessment criteria carefully in respect of our acquisition targets, in order to pursue acquisitions prudently with a view to further growing our business and maximising returns to the Shareholders.

## **OUTLOOK**

The supply of copper gradually recovered with less increment, some of the refined copper enterprises have been shutdown for repair inspection, resulted in a small decline in production in PRC. In overseas, social unrest in Peru has affected copper production, of which accounted for approximately 10% of global raw copper production in 2021. Peruvian copper mainly exports to China. If Peruvian copper production decreases, it will inevitably affect China's refined copper production. Combined with the European energy crisis and the Russian-Ukrainian conflict have triggered the rise of commodity prices across the board, making refined copper prices easy to rise but difficult to fall.

The domestic epidemic is under control and the copper downstream consumer market is gradually picking up, with pessimism gradually receding. Downstream demand is expected to recover under the easing of the epidemic and favourable national policies, the demand for copper is expected to continuing increase in the areas of infrastructure, electricity and transportation.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance and has complied with all material code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) throughout the six months ended 30 June 2022, except for the deviation from code provision C.2.1 of the CG Code in respect of segregation of the roles of chairman and chief executive officer as mentioned below.

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Gao Mingqing, in addition to his duties as the chairman of the Company, is also responsible for the strategic planning and overseeing all aspects of the Group’s operations as the chief executive officer of the Company. This constitutes a deviation from code provision C.2.1 of the CG Code. Mr. Gao Mingqing as one of the founders of the Group has extensive experience and knowledge in the core business of the Group and his duties for overseeing the Group’s operations is clearly beneficial to the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the “**Code of Conduct**”) regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors, all Directors have confirmed that they had complied with the Model Code and the required standard set out in the Code of Conduct during the six months ended 30 June 2022.

The Company has also established written guidelines on terms no less exacting than the Model Code (the “**Employees Written Guidelines**”) for securities transactions by relevant employees who are likely to possess inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company for the six months ended 30 June 2022.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2022.

## REVIEW OF ACCOUNTS BY THE AUDIT COMMITTEE

The audit committee of the Board (the “**Audit Committee**”) currently comprises three independent non-executive Directors, namely Mr. Tsang Wai Hung, Mr. Wong Chi Ming Ming and Mr. Wang Xin. The purpose of the establishment of the Audit Committee is for reviewing and supervising the financial reporting process, and risk management and internal control of the Group. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2022 and considered that they were prepared in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof under the requirements of the Listing Rules.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.wgmine.com](http://www.wgmine.com). The 2022 interim report of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

By Order of the Board  
**Wanguo International Mining Group Limited**  
**Gao Mingqing**  
*Chairman*

Hong Kong, 9 August 2022

*As at the date of this announcement, the Board comprises Mr. Gao Mingqing (Chairman), Mr. Liu Zhichun, Mr. Wang Renxiang and Ms. Wang Nan as executive Directors; and Mr. Tsang Wai Hung, Mr. Wong Chi Ming Ming and Mr. Wang Xin as independent non-executive Directors.*